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FOR E W O R D

The Honorable Robert D. Orr
Governor of the State of Indiana
Capitol Building
Indianapolis, Indiana 46204

Dear Governor Orr:

The Annual Report of the condition of the Teachers' Retirement Fund for the fiscal year ended June 30, 1981 is being submitted for the Board of Trustees in compliance with IC 21-6.1-3.

The comparative figures for the fiscal year below provide a synopsis of the changes that have taken place:

	<u>June 30, 1980</u>	<u>June 30, 1981</u>	<u>Gain (Loss)</u>
Number of Active	67,751 (Actual)	66,870 (Estimated)	(881)
Number of Retirees & Disabilitants	22,384	22,791	407
Annual Payout to Retirees & Disabilitants	\$ 99.2 Million	\$110.2 Million	\$11.0 Million
Fund Assets	\$522.6 Million	\$590.3 Million	\$77.7 Million
Investment Income (Gross)	\$ 44.9 Million	\$ 56.5 Million	\$11.6 Million
Member Annuity Account Earnings Rate	8.0%	9.0%	1.0%
Unfunded Accrued Liability - (Retirees & Beneficiaries as of June 30, 1980		\$.7 Billion	
(Active & Inactive Members as of June 30, 1979		<u>1.5</u> Billion	
			\$2.2 Billion

The Board of Trustees recommend that, as economic conditions improve, consideration be given to adopting an increased biennial appropriation funding level which will increase the employer reserve that will in turn slow the growth of the accrued unfunded liability.

We are honored to serve under your leadership and pledge to carefully exercise our fiduciary responsibility in administering the fund and to continue to provide responsive and efficient service to the members of the fund.

Respectfully submitted:

Board of Trustees of the
Indiana State Teachers' Retirement Fund



By: Loren T. Tiede, Ed.D.
Executive Secretary

INDIANA STATE TEACHERS' RETIREMENT FUND
BALANCE SHEET

EXHIBIT A

	<u>ASSETS</u>		<u>LIABILITIES AND RESERVES</u>	
	<u>1981</u>	<u>June 30</u>	<u>1981</u>	<u>June 30</u>
	<u>1981</u>	<u>1980</u>	<u>1980</u>	<u>1980</u>
Cash	\$ 9,919,324.38	\$ 9,006,758.81		
Receivables				
Employer Contributions Receivable	860,755.18	799,566.23		
Member Deduction Receivable	10,394,297.81	9,779,211.68		
Benefit Overpayments Receivable	4,484.07	2,467.60		
Investment Interest Receivable	10,744,846.58	6,816,624.24		
Mortgage Interest Receivable	12,693.35	13,755.64		
Total Receivables	<u>22,017,076.99</u>	<u>17,411,625.39</u>		
Investments				
Bonds and Notes Investment (Par Value)	581,541,671.83	509,166,193.15		
Premium on Bonds and Notes	1,300,882.99	1,793,480.19		
Discount on Bonds and Notes	(27,330,139.13)	(17,916,923.66)		
Mortgages	2,643,895.51	2,930,111.89		
Discount on Mortgages	(24,865.56)	(31,023.60)		
Real Estate (Cost)	260,000.00	260,000.00		
Total Investments (Market Value: 1981 - \$461,454,665.57; 1980 - \$469,241,492.55)	<u>558,391,445.64</u>	<u>496,201,837.97</u>		
Furniture and Equipment (Note 1) - cost - \$75,640.62; net of \$63,966.79 accumulated depreciation)	<u>11,673.83</u>	<u>4,892.00</u>		
Insurance Premium Paid In Advance	31.25	-0-		
TOTAL ASSETS	<u>\$590,339,552.09</u>	<u>\$522,625,114.17</u>		
				\$ 590,339,552.09
				\$ 522,625,114.17

The accompanying notes are an integral part of the Financial Statement.

NOTES TO FINANCIAL STATEMENT JUNE 30, 1981

Note 1 FURNITURE AND EQUIPMENT

Prior to the adoption of accrual basis of accounting in the fiscal year 1979-80, furniture and equipment were expensed at the time of purchase. During the fiscal year 1979-80, acquired furniture and equipment were capitalized with no provision for depreciation. This current fiscal year 1980-81, all acquired furniture and equipment were capitalized and a straight line method of depreciation over 5 years life with no salvage value was fully adopted. All furniture and equipment that were acquired before the fiscal year 1979-80 and still listed as inventory as of June 30, 1981 were capitalized based on their original cost and accumulated depreciation was established through June 30, 1981. Accumulated depreciation was established also through June 30, 1981 for the acquired furniture and equipment during the fiscal year 1979-80.

Note 2 INDIANA NATIONAL BANK

Checking account no. 39-004-287 was overdrawn by the following:

Early transmittal of direct wire deposits for	
July 1, 1981 Pension Benefit Payments	\$1,107,765.52
Benefit overpayments - TRF #43480	\$268.07
TRF #25077	<u>219.59</u>
	487.66
Total Overdraft	<u>\$1,108,253.18</u>

Note 3 RESERVE FOR GAINS (LOSSES) ON INVESTMENTS

Prior to fiscal year 1972-73, the fund investment accounting was on the completed transaction or immediate recognition of gain or loss on investments which is the generally accepted accounting method. However, during the fiscal year 1972-73 the fund had adopted an alternative method of investment accounting for recording gains or losses on bond exchanges (swaps) which is deferral and amortization method. This method does not recognize current period gains or losses on bond exchanges (swaps). The gains or losses on bond exchanges (swaps) are treated as an adjustment of future investment income, sets them up as a deferred item and amortizes this item over the future years usually the remaining life of the bond given up or the life of the acquired bond, whichever is shorter. This alternative method has been adopted by several retirement systems and it is presently under consideration for acceptability by the National Council on Governmental Accounting (NCGA) and the Financial Accounting Standard Board (FASB). From the fiscal year 1972-73 to 1979-80 the alternative method was applied consistently without taking into consideration whether they are investment gains or losses on bond exchanges (swaps) or separate sales and purchase transactions. The gains/losses on investments during those periods were amortized over 20 future years except 1972-73 which was 8 years. Prior to the adoption of accrual basis of accounting in the fiscal year 1979-80, the deferred gains (losses) were treated as an Asset in the Balance Sheet presentation.

This current fiscal year 1980-81 investment losses were carefully examined by the fund staff and it revealed that the losses were due to separate sales and purchases and not bond exchanges (swaps). The Board of Trustees acting for the best interest of the fund and to comply with the generally accepted accounting principles passed a resolution on June 24, 1981 to immediately recognize the investment losses during the period and be written off against the Undistributed Investment Income. This action of the Board of Trustees does not necessarily limit itself in the future to recognize the need of the alternative method of investment accounting if the transactions are bond exchanges (swaps) in nature.

In line with the Board of Trustees resolution on June 24, 1981, current fiscal year investment losses in the amount of \$10,134,588.23 were written off against the Undistributed Investment Income. Furthermore, the remaining balance of Undistributed Investment Income in the amount of \$14,133,751.02 was set up as a Reserve for losses on investments.

Note 4 ACTUARIAL DEFICIENCY

Actuarial Valuation Reports were made by Gabriel, Roeder, Smith and Company.

Retirants and Beneficiaries computed liabilities as of June 30, 1980 (14th Actuarial Valuation Report)	
Total Allowances	\$871,584,456.00
Less: Annuity Reserves and Pension Reserves Available for Retired Lives	<u>152,227,411.00</u>
Net Computed Liabilities for Retirants and Beneficiaries	\$ 719,357,045.00
Accrued portions of age and service to be paid to present Active and Inactive Members based on service rendered as of June 30, 1979 (7th Actuarial Valuation Report)	
Total Accrued Portions	\$1,477,788,384.00
Less: Funded Portion	<u>-0-</u>
Net Accrued Portions on Active and Inactive Members	\$1,477,788,384.00
<u>TOTAL UNFUNDED AMOUNT</u>	<u>\$2,197,145,429.00</u>

Actuarial deficiency (unfunded amount) account was presented as an Asset in the Balance Sheet as of June 30, 1980. The fiscal year ending June 30, 1981 it is presented in the Balance Sheet as a deduction in the Liabilities and Reserve section. This new format of the Balance Sheet presentation will be consistently applied to all future Balance Sheets.

Note 5 PENDING LAWSUIT

There is a pending lawsuit in the Marion Circuit Court in Indianapolis under the name of Robertson, et al v. Williams, et al. Cause No. 80-2325, against the Board of Trustees of the Fund alleging sex discrimination in paying benefits to Option "B" retirements.

EXHIBIT B

INDIANA STATE TEACHERS' RETIREMENT FUND
 STATEMENT OF OPERATIONS
 FOR THE FISCAL YEAR ENDED JUNE 30, 1981

<u>REVENUES</u>		<u>EXPENDITURES</u>	
Contributions:		Benefit Expense:	
Member		Annuity	\$109,641,899
Current Fiscal Year	\$ 35,689,901	Disability	586,154
Repayment on Arrearages	126,054	Voluntary and Death Withdrawals	4,884,687
Interfund	11,873	Refunds - Members/School Units	10,624
	<u>35,827,829</u>	Benefit Overpayments	(2,528)
Employer	107,588,489	Total	\$115,120,836
State	2,775,191	Interfund Expenditures	764,799
Federally Supported Program	83,026	Employer Refund Expenditures	4,367
Other Educational Employment	207,044		
	<u>110,653,752</u>		
Total			
Annuity Refunds		\$146,481,582	CETA Special Project
Disability Refunds		330,290	Administrative Expenses
CETA Special Projects		2,441	Investment Expenses
Investment Income		758	TOTAL EXPENDITURES
Gains (Losses) on Investments			\$116,853,421
Prior Years Investment Income			
		<u>20,333</u>	<u>Excess of Revenues Over Expenditures (Exhibit C)</u>
			\$ 76,411,729
		<u>\$193,265,151</u>	
			TOTAL REVENUES

INDIANA STATE TEACHERS' RETIREMENT FUND
STATEMENT OF CHANGES IN RESERVES
FOR THE FISCAL YEAR ENDED JUNE 30, 1981

EXHIBIT C

	Total Reserves	Member Reserves	Reserve For Benefits In Force	Reserve For Benefits In Force	Actuarial Deficiency In Reserve	Actuarial Deficiency In Employer Accumulation Reserve	Administrative Expense Reserve	Undistributed Investment Income	Reserve for Gains (Losses) on Investments
Balance Beginning-July 1, 1980	\$2,620,193,078	372,983,226	152,227,410	638,029,257	1,477,788,384	1,993	14,214,720	(35,051,914)	
Additions:									
Contributions	146,481,582	35,816,301	110,665,206						
Annuity Refunds	330,290	2,441	330,290	2,441					
Disability Refunds									
CETA Special Project	56,564,332	(10,134,588)							
Investment Income	20,333								
Gains (Losses) on Investments									
Prior Years Investment Income									
Total Additions	193,265,151	35,816,301	110,997,939						
Deductions:									
Annuity Benefits	(109,641,899)		(109,641,899)						
Disability Benefits	(586,154)		(586,154)						
Voluntary and Death Withdrawals	(4,884,687)	(4,711,030)							
Refunds - Members/School Units	(10,624)	(10,624)							
Benefit Overpayments	2,528	1,950							
Interfund Expenditures	(764,799)	(96,154)	(676,172)						
Employer Refund Expenditures	(4,367)	(4,367)							
CETA Special Project	(2,331)								
Administrative Expenses	(613,001)								
Investment Expenses	(348,083)								
Total Deductions	(116,853,421)	(4,815,858)	(111,521,595)						
Transfers:									
Approved Retirees	(12,744,520)		12,691,883						
Deceased Disability and									
Forfeiture by Law									
Members Account Adjustment	(54,183)	54,183							
CETA Special Project Adjustment	26,130	(25,749)							
1976-80 State Board of Accounts									
Examination Adjustment									
Amortization of Losses on Investments									
Interest Credited (9% Board Approved Rate)	31,979,802	13,700,467							
Adjustment per Board Resolution									
Total Transfers	19,207,228	26,421,204							
Net Additions - (Exhibit B)	76,411,729	50,207,671	25,897,548						
Furniture and Equipment Adjustment	1,953	1,953							
Actuarial Deficiency									
Balance End-June 30, 1981	\$2,777,934,549	423,190,898	178,126,912	719,357,045	1,477,788,384	-0-	-0-	(20,528,689)	

INDIANA STATE TEACHERS' RETIREMENT FUND

LISTING OF INVESTMENTS AS OF JUNE 30, 1981

BONDS & NOTES	Interest Rate	Due Date	Market Value	Cost Value
U.S.A. Treasury Bds.	8.500	5-99	\$ 3,825,964.	\$ 5,686,264.
U.S.A. Treasury Bds.	8.250	5-05	2,294,705.	2,951,085.
U.S.A. Treasury Bds.	9.000	2-94	3,621,899.	4,995,257.
U.S.A. Treasury Bds.	9.125	5-09	3,186,584.	4,047,879.
U.S.A. Treasury Bds.	10.375	11-09	15,081,250.	18,053,760.
U.S.A. Treasury Bds.	10.500	2-95	1,615,000.	2,067,937.
U.S.A. Treasury Bds.	10.000	5-10	1,546,260.	1,804,338.
U.S.A. Treasury Notes	7.875	5-86	3,971,899.	4,242,452.
U.S.A. Treasury Notes	7.250	2-84	2,142,200.	2,300,844.
U.S.A. Treasury Notes	7.250	8-84	2,515,320.	2,688,119.
U.S.A. Treasury Notes	8.250	5-88	3,803,149.	4,671,061.
U.S.A. Treasury Notes	9.000	2-87	14,715,000.	17,456,459.
U.S.A. Treasury Notes	10.750	11-89	2,560,320.	2,620,313.
U.S.A. Treasury Notes	10.750	8-90	1,696,260.	1,927,507.
U.S.A. Treasury Notes	13.875	11-82	3,465,000.	3,495,098.
U.S.A. Treasury Notes	11.750	2-01	1,756,260.	1,836,129.
U.S.A. Treasury Notes	13.250	8-84	1,940,000.	1,956,479.
U.S.A. Treasury Notes	12.625	3-83	2,899,680.	2,999,070.
TREAS. OBLIGS.			\$72,636,750.	\$85,800,051.
Fed. Farm Cr.	10.000	12-86	\$ 2,103,125.	\$ 2,497,363.
Fed. Farm Cr.	10.400	7-90	2,896,250.	3,444,361.
Fed. Farm Cr.	11.600	7-85	1,820,000.	1,857,446.
Fed. Farm Cr.	11.700	7-88	4,450,000.	4,893,973.
Fed. Farm Cr.	13.050	1-89	1,895,000.	1,889,906.
Fed. Farm Cr.	13.950	3-86	5,850,000.	6,015,749.
Fed. Home Ln. Bk.	11.300	11-86	2,231,250.	2,500,000.
Fed. Natl. Mtg. Assoc.	13.000	11-85	2,976,000.	3,183,177.
Intl. Bk. Recon. Dev.	9.350	12-00	1,832,562.	2,884,421.
Patriot Shipping	8.000	3-06	683,375.	987,645.
Patriot Shipping	8.000	3-06	621,250.	870,576.
Private Expt. Fdg.	10.250	5-88	3,966,000.	4,800,098.
Twelv. Fed. Intr. Cr.	6.950	1-87	1,450,000.	1,621,007.
US Govt. Fed. Avi.	8.875	4-86	1,240,754.	1,585,832.
US Govt. Fed. Avi.	8.875	4-86	1,417,541.	1,811,786.
Chrysler Corp. Nts. Govt. Gtd.	11.400	7-90	1,741,380.	1,878,657.
Govt. Natl. Mtg. Assn.	7.500	7-06	522,944.	781,299.
Govt. Natl. Mtg. Assn.	7.500	12-06	550,243.	853,809.
Govt. Natl. Mtg. Assn.	8.000	12-00	41,882.	64,927.
Govt. Natl. Mtg. Assn.	7.500	5-07	542,410.	810,250.
Govt. Natl. Mtg. Assn.	8.000	12-06	990,845.	1,417,120.
Govt. Natl. Mtg. Assn.	8.000	3-07	913,896.	1,403,186.
Govt. Natl. Mtg. Assn.	7.500	5-07	539,484.	763,248.
Govt. Natl. Mtg. Assn.	7.500	3-07	481,216.	718,941.

BONDS & NOTES	Interest Rate	Due Date	Market Value	Cost Value
Govt. Natl. Mtg. Assn.	7.500	2-07	580,209.	866,789.
Govt. Natl. Mtg. Assn.	7.500	2-07	415,429.	644,611.
Govt. Natl. Mtg. Assn.	7.500	6-07	577,299.	862,347.
Govt. Natl. Mtg. Assn.	7.500	6-07	527,834.	818,425.
Govt. Natl. Mtg. Assn.	7.500	5-07	564,258.	843,054.
Govt. Natl. Mtg. Assn.	7.500	5-07	574,320.	812,529.
Govt. Natl. Mtg. Assn.	7.500	6-07	494,379.	738,504.
Govt. Natl. Mtg. Assn.	7.500	6-07	524,893.	784,067.
Govt. Natl. Mtg. Assn.	8.000	8-07	611,236.	939,234.
Govt. Natl. Mtg. Assn.	8.000	7-07	516,953.	735,542.
Govt. Natl. Mtg. Assn.	8.000	8-07	570,526.	876,199.
Govt. Natl. Mtg. Assn.	7.500	6-07	508,267.	757,760.
Govt. Natl. Mtg. Assn.	7.500	9-07	1,039,740.	1,613,589.
Govt. Natl. Mtg. Assn.	8.000	8-07	610,711.	939,505.
Govt. Natl. Mtg. Assn.	7.500	8-07	548,122.	818,730.
Govt. Natl. Mtg. Assn.	7.500	8-07	1,059,628.	1,582,835.
Govt. Natl. Mtg. Assn.	8.000	9-07	438,725.	673,780.
Govt. Natl. Mtg. Assn.	8.000	9-07	570,731.	836,025.
Govt. Natl. Mtg. Assn.	8.000	9-07	592,582.	843,104.
Govt. Natl. Mtg. Assn.	8.000	11-07	569,216.	833,463.
Govt. Natl. Mtg. Assn.	9.000	8-08	662,934.	933,132.
Govt. Natl. Mtg. Assn.	9.000	9-08	1,243,771.	1,838,065.
Govt. Natl. Mtg. Assn.	9.000	9-08	1,286,690.	1,901,486.
Govt. Natl. Mtg. Assn.	9.000	2-09	609,016.	632,947.
Govt. Natl. Mtg. Assn.	9.000	2-09	1,218,830.	1,266,722.
Govt. Natl. Mtg. Assn.	9.000	4-09	466,013.	484,325.
Govt. Natl. Mtg. Assn.	9.000	2-09	1,947,425.	2,740,985.
Govt. Natl. Mtg. Assn.	9.000	6-09	648,141.	911,099.
Govt. Natl. Mtg. Assn.	9.000	5-09	1,292,636.	1,817,089.
Govt. Natl. Mtg. Assn.	9.000	5-09	572,028.	805,101.
Govt. Natl. Mtg. Assn.	9.500	8-09	2,044,104.	2,776,317.
Govt. Natl. Mtg. Assn.	9.500	9-09	2,752,237.	3,738,108.
Govt. Natl. Mtg. Assn.	9.500	9-09	2,081,394.	2,826,965.
Govt. Natl. Mtg. Assn.	13.000	4-11	2,601,951.	2,626,223.
Govt. Natl. Mtg. Assn.	8.000	7-05	424,008.	657,232.
Govt. Natl. Mtg. Assn.	9.500	10-09	732,967.	1,021,874.
Govt. Natl. Mtg. Assn.	9.500	8-09	2,128,773.	2,968,816.
Govt. Natl. Mtg. Assn.	9.500	10-09	729,696.	1,017,246.
Govt. Natl. Mtg. Assn.	9.500	9-09	725,623.	1,011,655.
Govt. Natl. Mtg. Assn.	9.500	9-09	1,431,576.	1,996,265.
Govt. Natl. Mtg. Assn.	9.500	8-09	1,417,350.	1,953,336.
Govt. Natl. Mtg. Assn.	9.500	8-09	731,380.	1,019,484.
Govt. Natl. Mtg. Assn.	9.500	9-09	708,340.	976,281.
Govt. Natl. Mtg. Assn.	9.500	9-09	736,075.	1,026,251.
Govt. Natl. Mtg. Assn.	11.000	9-10	1,695.	2,207.
Fed. Home Ln. Mtg. Gtd.	8.550	3-95	3,029,334.	3,969,136.
Fed. Home Ln. Mtg. Gtd.	8.000	5-07	1,728,385.	2,670,750.
Fed. Home Ln. Mtg. Gtd.	8.000	6-07	82,631.	125,216.
Fed. Home Ln. Mtg. Gtd.	8.250	9-07	678,160.	1,048,893.
Fed. Home Ln. Mtg. Gtd.	8.250	10-07	1,411,081.	2,182,477.
Fed. Home Ln. Mtg. Gtd.	8.000	9-07	427,691.	662,054.
Fed. Home Ln. Mtg. Gtd.	8.250	10-07	3,470,549.	5,355,998.
Fed. Home Ln. Mtg. Gtd.	8.250	10-07	1,850,960.	2,850,290.

BONDS & NOTES	Interest Rate	Due Date	Market Value	Cost Value
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Fed. Home Ln. Mtg. P.c.	8.000	6-07	651,582.	986,846.
Fed. Home Ln. Mtg. P.c.	8.500	2-08	2,550,173.	3,781,542.
Fed. Home Ln. Mtg. P.c.	8.500	8-06	469,759.	689,241.
Fed. Home Ln. Mtg. P.c.	8.250	11-07	960,998.	1,425.882.
Fed. Home Ln. Mtg. P.c.	8.250	12-07	495,377.	735,002.
Fed. Home Ln. Mtg. P.c.	8.500	12-07	517,850.	733,815.
Fed. Home Ln. Mtg. P.c.	8.500	12-07	559,270.	792,529.
Fed. Home Ln. Mtg. P.c.	8.500	1-08	471,123.	699.420.
Fed. Home Ln. Mtg. P.c.	8.500	2-08	1,033,256.	1,522,727.
Fed. Home Ln. Mtg. P.c.	8.500	2-08	619,954.	878,479.
Fed. Home Ln. Mtg. P.c.	8.500	3-08	1,545,973.	2,295,102.
Fed. Home Ln. Mtg. P.c.	8.750	3-08	3,715,818.	5,496,485.
Fed. Home Ln. Mtg. P.c.	8.750	3-08	1,593,361.	2,349,485.
Fed. Home Ln. Mtg. P.c.	8.750	4-08	2,662,889.	3,946,207.
Fed. Home Ln. Mtg. P.c.	8.500	5-08	1,620,106.	2,387,480.
Fed. Home Ln. Mtg. P.c.	8.750	5-08	1,624,888.	2,404,529.
Fed. Home Ln. Mtg. P.c.	8.750	5-08	3,791,404.	5,593,991.
Fed. Home Ln. Mtg. P.c.	8.750	5-08	2,724,143.	4,017,380.
Fed. Home Ln. Mtg. P.c.	8.750	5-08	2,739,773.	4,039,869.
Fed. Home Ln. Mtg. P.c.	9.000	6-08	119,394.	5,091,712.
Fed. Home Ln. Mtg. P.c.	9.000	6-08	659,744.	842,624.
Fed. Home Ln. Mtg. P.c.	9.250	7-08	3,235,858.	4,204,392.
Fed. Home Ln. Mtg. P.c.	9.000	9-08	3,421,035.	4,356,955.
Fed. Home Ln. Mtg. P.c.	10.750	10-09	702,632.	935,892.
Fed. Home Ln. Mtg. P.c.	8.500	2-08	1,059,605.	1,530,661.
Fed. Home Ln. Mtg. P.c.	8.500	2-08	1,059,605.	1,561,551.
Fed. Home Ln. Mtg. P.c.	8.500	2-08	1,528,411.	2,269,011.
Fed. Home Ln. Mtg. P.c.	16.250	5-11	2,000,000.	2,012,175.
Fed. Home Ln. Mtg. P.c.	8.500	2-08	1,294,323.	1,919,297.

GOVT. AGENCY		\$144,954,213.	\$194,669,175.
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Beneficial Corp. Pvt. Plc.	11.500	12-84	\$ 2,000,000.	\$ 1,863,940.
Beneficial Finance Co.	8.400	5-08	1,560,000.	1,996,675.
CIT Financial	7.875	4-86	766,250.	895,756.
Chase Manhattan Bk.	15.000	5-09	1,725,000.	2,000,075.
Chemical NY	8,400	4-99	606,250.	892,379.
Citizens Saving Ln.	9.500	7-89	1,525,000.	1,996.065.
Commrcl. Fed. Savngs. & Ln.	11.200	12-89	1,655,000.	2,000,069.
Ford Mtr. Cr.	9.550	1-89	1,387,500.	1,997,509.
Gen. Mtrs. Accept.	8.625	11-85	1,612,500.	2,045,242.
Gen. Mtrs. Accept.	9.400	7-04	1,320,000.	1,744,633.
Gen. Mtrs. Accept.	13.500	4-85	1,869,800.	2,000,046.
Great Westrn. S & L	9.500	7-89	1,562,500.	1,996,074.
Household Fin.	8.300	1-86	1,583,760.	2,000,060.
LMN Accept. Gtd. Aetna Nts.	12.000	11-83	1,982,607.	1,982,607.
Manufact. Hanov. Trst.	8.500	6-85	1,652,500.	2,042,150.
Wells Fargo	9.550	7-85	1,726,260.	1,996,266.

FINANCE		\$24,534,927.	\$29,449,546.
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American Can Co. Db.	11.375	7-10	1,595,000.	1,987,781.
Atlantic Richfld. Co. De.	11.375	5-10	1,685,000.	1,885,340.
Atlantic Richfield	7.750	12-03	1,179,750.	1,693,279.

BONDS & NOTES	Interest Rate	Due Date	Market Value	Cost Value
Beatrice Foods	8.500	8-08	\$ 686,250.	\$ 958,753.
Bendix	11.200	5-05	1,580,000.	1,812,525.
Borden Inc. Deb.	9.375	6-09	1,322,500.	1,698,323.
Burlington Northrn. Const.	12.875	8-05	1,760,000.	1,995,200.
Conoco Inc.	9.375	4-09	1,345,000.	1,369,656.
Conoco Inc. Deb. Dtd.	13,250	1-11	1,942,500.	2,000,000.
Dana Corp.	8.875	11-08	1,230,000.	1,633,401.
DuPont De Memours EI	8.450	11-04	1,518,750.	1,653,247.
Engelhard Minrls. & Chem.	11.750	8-05	1,698,760.	1,990,399.
Enserch Corp.	10.875	6-05	1,402,500.	1,990,400.
Exxon Pipeline	8.250	3-01	1,270,000.	1,753,445.
Fed. Dept. Stores	10.250	6-10	1,580,000.	2,022,871.
General Electric	8.500	5-04	1,330,000.	1,921,573.
Getty Oil Co.	10.000	7-87	1,727,500.	1,957,177.
Halliburton Co. Deb.	10.200	6-05	1,480,000.	2,011,999.
Honeywell Inc. Deb.	14.125	2-11	1,980,000.	1,983,083.
ICI North American	8.875	1-03	635,630.	943,082.
Ingersoll Rand	12.375	9-90	1,806,260.	2,000,000.
Intl. Paper Cred. Corp.	14.500	1-86	1,000,000.	1,000,000.
J. C. Penney	11.500	6-10	1,590,000.	2,058,000.
K Mart	9.875	7-85	1,742,500.	1,988,809.
Kerr McGee	8.500	6-06	631,250.	1,033,775.
Marathon Oil	10.250	7-87	3,415,000.	4,000,000.
McDermott J. Ray	9.625	3-04	1,669,500.	1,971,536.
Monsanto	8.750	5-08	1,255,000.	1,691,922.
Natl. Steel	8.375	8-06	640,000.	1,011,597.
Owens Illinois	10.375	6-90	1,520,000.	2,011,241.
Pembrike Capital Inc. Note	14.000	6-91	2,947,500.	2,977,851.
Pennzoil Co. Deb.	14.000	2-91	1,927,500.	2,000,000.
Proctor Gamble	8.250	3-05	1,280,000.	1,759,416.
Revlon Inc.	10.875	7-10	1,680,000.	1,581,417.
Sears Roebuck	8.000	4-06	1,182,500.	1,844,696.
Shell Oil	8.750	5-05	1,330,000.	1,617,567.
Shell Oil Co. Deb.	14.250	6-11	1,985,000.	2,000,000.
Shell Oil Co. Notes	13.875	6-91	1,980,000.	1,990,000.
Smith Intl.	9.850	5-04	1,042,500.	1,500,066.
St. Regis Papr. Co. Note	10.000	6-90	1,558,760.	1,988,754.
Standard Oil Calif.	8.750	7-05	1,347,500.	1,797,275.
Standard Oil Ind.	7.875	8-07	1,770,000.	2,990,145.
Texaco	8.875	5-05	1,327,500.	2,140,159.
Texaco	8.500	4-06	1,303,760.	1,630,236.
Times Mirror	9.625	9-86	1,675,000.	1,996,669.
Union Camp	10.875	7-10	1,800,000.	1,577,110.
Union Carbide	8.500	1-05	1,890,000.	3,138,862.
Union Carbide	9.350	8-09	1,360,000.	2,000,000.
Union Oil Calif.	8.375	12-82	920,000.	969,839.
Untd. Technologie	9.000	4-85	1,690,000.	1,998,738.
Upjohn Co.	10.650	7-90	1,696,260.	1,876,363.
Upjohn Co.	14.000	6-91	983,130.	1,006,000.
Weyerhaeuser	7.950	8-06	762,500.	978,121.
Wheelabrator Frye Inc. Deb.	11.750	7-05	1,697,500.	2,000,000.

INDUSTRIAL

\$81,355,560.

\$99,387,698.

BONDS & NOTES	Interest Rate	Due Date	Market Value	Cost Value
American Telep. & Teleg.	13.250	3-91	\$ 1,910,000.	\$ 2,000,000.
Duke Power	10.875	10-09	1,515,000.	1,613,149.
Ind. Gas	11.600	7-90	840,070.	1,000,000.
Internorth Inc. Deb.	10.750	8-90	1,657,500.	1,997,297.
Natl. Rural Util.	8.950	2-85	1,662,500.	2,043,913.
Pacific Gas Elec.	9.500	6-85	1,740,000.	2,074,170.
Penn. Pwr. & Light	9.750	11-05	1,040,625.	1,486,596.
Public Service Ind.	12.125	9-90	901,250.	1,000,000.
Tenneco	12.125	5-05	1,705,000.	1,677,478.
Texas Pwr. & Light	9.375	2-09	1,368,560.	2,002,669.
American Telep. & Teleg.	8.625	2-07	1,957,500.	3,120,006.
Bell Tele. Pa.	11.875	4-20	1,672,500.	1,790,455.
Ches. Pot. Tele. Maryland	9.000	10-18	671,250.	786,729.
Continental Telep. Co.	13.500	6-87	1,000,000.	1,017,494.
Gen. Telep. Southwest	12.250	11-09	1,690,815.	2,092,389.
Ind. Bell Telep.	8.000	10-14	678,500.	801,059.
Mountain Sts. T. & T.	8.625	4-18	941,250.	1,451,646.
Mountain Sts. T. & T.	11.250	11-19	1,168,125.	1,503,583.
New York Telep.	8.625	6-16	633,750.	966,696.
New York Telep.	11.625	8-19	1,620,000.	1,932,954.
Northwestern Bell	9.500	8-16	2,720,000.	3,628,168.
Ohio Bell Telep.	7.875	10-13	1,271,250.	1,544,591.
South Central Bell	8.250	11-15	300,000.	500,018.
South Central Bell	9.625	3-19	1,380,000.	1,398,618.
South Central Bell	9.875	9-18	1,076,250.	1,334,940.
Southern Bell Telep.	8.125	5-17	1,777,500	2,477,381.
Southern Bell Telep.	10.900	12-19	792,500.	997,445.
Southwestern Bell	8.500	3-16	610,000.	954,660.
Southwestern Bell	9.625	3-19	2,088,750.	2,319,978.
Southwestern Bell	11.375	1-20	1,610,000.	1,983,844.
Wisconsin Telep.	11.375	6-17	1,595,000.	1,937,980.
PUBLIC UTILITY			\$41,595,445.	\$51,435,906.
Union Pacific	11.875	9-10	1,720,000.	1,958,312.
TRANSPORTATION			\$ 1,720,000.	\$ 1,958,312.
Hydro Quebec	10.000	11-05	1,025,475.	1,488,274.
Manitoba Hydro Elec.	9.250	1-06	666,630.	982,179.
Ont. Ca. Province	9.125	6-05	1,236,640.	1,802,927.
Ont. Ca. Province	9.250	11-05	2,016,600.	2,439,634.
CANADIAN			\$ 4,945,345.	\$ 6,713,014.
Comm. Papr. & Treas. Bills			\$67,656,169.	\$66,971,289.
COMM. PAPER - TREAS. BILLS			\$67,656,169.	\$66,971,289.
Banks - Various			\$ 8,013,426.	\$ 8,013,426.
CERT. OF DEP.			\$ 8,013,426.	\$8,013,426.

BONDS & NOTES	Interest Rate	Due Date	Market Value	Cost Value
Salomon Bros. Repurchase	16.750	7-81	\$1,000,000.	\$1,000,000.
	REPO AGREEMENT		\$1,000,000.	\$1,000,000.
Variable Rate Demand Note			\$10,114,000.	\$10,114,000.
	VARIABLE DEMAND NOTE		\$10,114,000.	\$10,114,000.
		GRAND TOTAL	\$458,525,835.	\$555,512,417.

BOND PORTFOLIO

JUNE 30, 1981

<u>MANAGER</u>	<u>MARKET VALUE</u>	<u>COST VALUE</u>
Alliance Capital Management Corporation	\$ 92,920,025.74	\$117,520,086.68
The Bank of New York	99,895,978.36	117,848,830.75
Indiana National Bank	103,241,721.15	126,055,320.92
American Fletcher National Bank	98,811,941.76	127,116,888.73
Custodial Account - Indiana National	<u>67,656,168.61</u>	<u>66,971,288.61</u>
TOTALS	\$458,525,835.62	\$555,512,415.69

